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Chairman: Mr. de Rojas ..... (Venezuela)

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The meeting was called to order at 10.10 a.m.

Agenda item 95: Macroeconomic policy questions

(b) Trade and development

Joint session of the high-level segment of the Trade and Development Board and the Second Committee

1. **Mr. Ricupero** (Secretary-General, United Nations Conference on Trade and Development (UNCTAD)) (Geneva) extended a warm welcome on behalf of the Trade and Development Board to the Second Committee at Headquarters in New York in the context of the first interactive meeting between the General Assembly and UNCTAD. Through video-conferencing technology, those groups were able for the first time to bridge the distance between them and communicate in real time to discuss the issue of how new information technology would reshape competition and competitiveness in global trade.

2. During the earlier remarks by panellists, little mention had been made of the fact that electronic commerce could serve to increase trade among developing countries and help them to become more effective. Historically, beginning during the period of colonial rule, there had been few direct communications links between developing countries, but electronic commerce could allow them to enter into direct trade operations. When the goods or services being traded were information, software, an advertising campaign, art or music, for example, they could be delivered through the Internet.

3. The problem of connectivity was particularly acute for the least developed countries with little access to technology, however. Action in three areas was needed to enhance their access to electronic commerce. First, UNCTAD and the United Nations must enhance their cooperation, with the interim International Telecommunication Union (ITU). Second, a global framework for electronic commerce must be established, with the Internet remaining tariff-free. Third, both public and private support for electronic commerce must be mobilized in developed and developing countries.

4. **The Chairman** (New York) said that, along with the other members of the Second Committee, he noted with pleasure how technological advances had made it possible to conduct the first and historic video-conference between the General Assembly in New York and UNCTAD in Geneva, to address electronic commerce, a subject of great importance to the development of international trade. The emergence of global information networks like the Internet had a significant impact on the conceptual, regulatory, economic and financial aspects of competitiveness between nations. Consequently, United Nations Member States and organs must examine those issues as early as possible. In his view, that was a highly appropriate way to involve the international community in formulating a positive agenda for trade and development.

5. He was struck by the fact that, for the first time, the bodies in both New York and Geneva working in the economic area were interacting face to face. The lack of information-sharing between New York and Geneva must be overcome, so that delegations in both locations could work together towards their common objectives.

6. **Mr. Desai** (Under-Secretary-General for Economic and Social Affairs) (New York) said that the joint meeting demonstrated the capacity of the United Nations to contribute to the global discussion on issues at the cutting edge of development policy. It dealt with an issue which lay at the heart of relationships between nations, which, historically, had been shaped by technological factors. The further development of the Internet would shape interactions between nations as profoundly as they had been affected by air travel, to give one example. There was much potential, through technology, for a greater sense of collaboration throughout the United Nations system. Meetings such as the current one showed how cooperative efforts could add to the capacity of all organizations in the system.

7. **Mr. Erwin** (South Africa) (Geneva), speaking in his capacity as President of the ninth session of UNCTAD and summarizing the earlier presentations made by the panellists, said that globalization and competition were having a profound effect on many small economies, and electronic commerce might have an equally profound effect on the strength of economies and societies. Its effects were more complex and far-reaching than had previously been realized. For example, electronic commerce raised questions about how taxes would be collected. Many countries had already moved to indirect collection systems; many also favoured preserving the Internet as a tariff-free zone.

8. Trading in tangible products, other than services which were consumed immediately, through electronic commerce would require further efficiencies in the transportation system to provide "seamless" movement of products that would be almost as rapid as the movement of information. Many countries were exploring the exciting new aspects of electronic commerce, and South Africa had found that it had helped small and medium businesses and eco-industry, but only if accompanied by commensurate efficiencies in transport and infrastructure.

9. The evolution of the system of electronic commerce would have much to do with connectivity, which was a particularly vexing question for developing countries. It remained to be seen what degree of influence they would have over the information hierarchy and investment decisions. Future cooperation between development partners would have to include telecommunications systems. The least developed countries faced the greatest danger of marginalization because of their inability to use modern production systems.

10. **Mr. Ayele** (Ethiopia) (Geneva) said that the scenarios which the panellists had outlined earlier sounded like science fiction to the least developed countries. Although his delegation was grateful to UNCTAD for providing leadership in that area, the panellists had raised interesting problems to which they had not offered solutions.

11. He would be interested to hear their views about how global information networks would raise the standard of living in a country like his, with a predominantly rural population, and whether such networks could be truly effective outside urban areas.

12. **Mr. Prabhu** (India) (Geneva) asked what UNCTAD could do to see that the opportunity to use the tremendous potential of electronic commerce in the service of development was not missed. It was also important for UNCTAD to take on the mission of enhancing knowledge and awareness in developing countries on issues surrounding the legal framework for electronic commerce, including tariffs, international settlements and accounting rates, and how those issues could affect their participation.

13. **Mr. Feketekuty** (Centre for Trade and Commercial Diplomacy) (Geneva) said that participation in electronic commerce presupposed investment in human resources development and infrastructure. A good example was Barbados, a small island developing State with a large part of its population engaged in electronic commerce in the insurance, banking and financial industries. That also highlighted the role of Government: the Government of Barbados had made a significant investment in the necessary infrastructure and in bringing its population up to a basic literacy level. It should be borne in mind as well that advances in technology had brought down the costs of infrastructure significantly.

14. **Mr. Erwin** (South Africa) (Geneva) said that accounting rates remained high in countries with a telecommunications monopoly; competition would quickly lower such rates. A regulatory regime for electronic commerce was in the early stages of development, and UNCTAD saw its role as representing the interests of developing countries, which were often unable to participate, at the relevant international meetings.

15. **Mr. Ronderos** (Colombia) (Geneva) said that, for many developing countries, there had been no technology to adapt, and with advances in technology, they had been able to establish modern infrastructure at relatively low cost. For example, most Latin American countries had never had analog systems, and had moved directly to digital technology as it became available. He agreed that a State monopoly in communications was detrimental, and it was his experience as well that competition had quickly lowered costs. The best way to place such technology within the reach of all was to educate the people and prepare them to use the new tools that were available.

16. **Mr. Sayeed** (Group of 77 Chamber of Commerce and Industry of Developing Countries) (Geneva), in answer to the question of how to extend such technology to rural areas, said that literacy rates and basic educational levels were a very important factor. The World Bank could play a major role in bringing technology to developing countries, but in order to do so it must change its current focus on urban areas.

17. UNCTAD must play a major role in interpreting the regulations of the new World Trade Organization (WTO) for developing countries. If trade-related issues were not taken up, then technology would be of no use to the least developed countries. The WTO arrangements must allow for free movement of all economic factors, including skilled labour, which must be able to move just like capital and investments.

18. **Mr. Kisiri** (United Republic of Tanzania) (New York), speaking on behalf of the Group of 77 and China, asked about the priority areas UNCTAD planned to address in the development of electronic commerce in the least developed countries. With regard to the legal framework, a General Agreement on Trade in Services had already been elaborated under WTO, but he wondered what other complementary elements would be addressed.

19. **Mr. Meyer** (Luxembourg) (New York), speaking on behalf of the European Union, wondered whether the panel had explored the potentialities of South-South cooperation, particularly since some of the European countries were already conducting electronic commerce with developing countries.

20. **Mr. Ricupero** (Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)) (Geneva), replying to the question raised by the representative of the United Republic of Tanzania, said that

most people were not aware of the pioneering role which UNCTAD had played in that area. In autumn 1994, it had organized a symposium in Columbus, Ohio, on the use of information technology in business transactions. The symposium had focused on "trade points", which enabled the actors to conduct all aspects of a business transaction in one place: the initial contact between buyer and seller, the negotiations, the actual contract with an electronic signature, delivery where the goods were intangible, payment, and the fulfilment of customs requirements, including import and export documents. It was now possible to obtain export credit and export insurance through trade points as well. Trade points were functioning in more than 100 countries, including his own country, Brazil, which, with financial assistance from the European Union, had a large number of them. Brazil had also helped to establish trade points in 20 African countries.

21. UNCTAD also had a role to play in international negotiations in the field of electronic commerce. The timeliness of its work in that area was evidenced by the fact that President Clinton of the United States of America had expressed the hope that a multilateral agreement would be concluded, in the field; and that the European Union, at its meeting in Bonn, had drafted a detailed declaration on multilateral business. In that connection, UNCTAD had recently organized a meeting of experts with the International Telecommunication Union, with a view to building awareness of electronic commerce among developing countries.

22. **The Chairman of the Trade and Development Board** asked Mr. Feketekuty to respond to the question concerning a legal framework for electronic commerce.

23. **Mr. Feketekuty** (Centre for Trade and Commercial Diplomacy) (Geneva), a panellist, said that WTO had not yet discussed a legal framework as such; however, the United Nations Commission on International Trade Law (UNCITRAL) in New York was considering amendments to a model commercial law. WTO had adopted two agreements that were of relevance to a legal framework. One, a telecommunications annex to the General Agreement on Trade and Services, dealt with the legal aspects of access to value-added telecommunications services. The other, an agreement on basic telecommunications services, set forth a regime for international competition, a crucial element for a legal framework. He noted that United States President Clinton intended to propose a tariff-free Internet zone within the context of the second phase of the Information Technology Agreement, currently under negotiation. Clearly, that would be a key issue for the future of electronic commerce.

24. **The Chairman of the Trade and Development Board** asked Mr. Sayeed to respond to the question concerning potentialities for South-South cooperation.

25. **Mr. Sayeed** (Chairman of the Group of 77 Chamber of Commerce and Industry of Developing Countries) (Geneva), a panellist, said that electronic commerce had major implications for South-South cooperation. That was one reason behind the attempt to establish a network among developing countries. Consideration had also been given to establishing a website of chambers of commerce, together with developed countries. The website, which would be on the Internet as of 1 January 1998, would target 10,200 chambers of commerce. That would surely provide a tremendous boost to both South-South and North-South trade relations.

26. **The Chairman of the Trade and Development Board** said that two questions would be addressed to the panellists by members of the Trade and Development Board.

27. **Mr. Paraina** (Madagascar) (Geneva) asked whether companies from non-English-speaking countries would be able to participate on an equal and competitive basis in electronic commerce.

28. **Mr. Imboden** (Switzerland) (Geneva) wondered why it would be necessary to draft new rules. A multilateral trading system that ensured the free movement of goods and services was already in place and its substance would not be changed by electronic commerce. Electronic commerce would not discriminate against any type of economy, developed or less developed; in fact, it should help developing companies to overcome such obstacles as market size, lack of access to information and the remoteness of consumers. The fact that developing countries did not have access to information technology would not be corrected by international rules but rather by investments and technical assistance. The goals of a multilateral agreement should be to ensure that competition was not dominated by either Governments or private-sector monopolies and that all industries and nations had access to information technology.

29. **Mr. Feketekuty** (Centre for Trade and Commercial Diplomacy) (Geneva) said that new rules governing electronic commerce per se need not necessarily be established. Indeed, nearly all Governments agreed that they should maintain a neutral policy with regard to paper contracts versus electronic messages. However, the shift to electronic commerce did entail certain changes in commercial law, which was based on the assumption that transactions were in writing. There must be agreement about what constituted a legal document and a legal signature in electronic commerce and how such documents would be

protected and verified. Moreover, in cyberspace, certain issues were no longer clear, such as tax liability or whether a Government had jurisdiction because a server — but neither the producer nor consumer — was located in its territory. Certain regulations — on disinformation, pornography or consumer protection — would be difficult to enforce in cyberspace and would require special cooperation among Governments. There was a need for self-regulation in the industry. Perhaps the private sector should develop some norms at the international level, to be supplemented by Government input.

30. **Mr. Ricupero** (Secretary-General of the United Nations Conference on Trade and Development) (Geneva) said that traditional trade had always relied on broader measures, such as tariffs on tangible goods. A new set of rules must be formulated to deal with the intangible transboundary flow of information by computer.

31. **Mr. Ronderos** (Colombia) (Geneva), a panellist, replying to the representative of Madagascar, said that English would undoubtedly be the international language of cyberspace. Governments should bolster their bilingual educational programmes in order to help their citizens take advantage of information technology.

32. **Ms. Ouda** (Poland) (New York) asked whether the United Nations system was taking steps to ensure that the less developed economies in Central and Eastern Europe would be able to participate in electronic commerce. The task of training sufficient numbers of experts in those countries must be addressed urgently.

33. **Mr. Erwin** (South Africa) (Geneva), speaking in his capacity as the Chairman of the ninth session of UNCTAD, said that the South African experience had demonstrated that it was relatively easy to train large numbers of people in computer technology. South Africa was working closely with India, which had also successfully trained vast numbers of people.

34. **Mr. Feketekuty** (Centre for Trade and Commercial Diplomacy) (Geneva) said that a legal framework would be particularly important for small enterprises in developing countries. In that regard, the work of UNCITRAL would be crucial. The cost of participation would be another key element. Countries must reform their telecommunications sectors, particularly the regulation of telephone rates.

35. He agreed with the representative of South Africa that the nature of information technology itself facilitated training. In the summer, he had participated with the Secretary-General of UNCTAD in a training exercise that had been broadcast to over 300 sites in Latin America. Of course, such training presupposed a minimum of computer literacy; thus, human resources development continued to be necessary.

36. **Mr. Ronderos** (Colombia) (Geneva) said that the private sector must also do its share to remove barriers to electronic commerce.

37. **The Chairman of the Trade and Development Board** said that two members of the Board would address questions to the panel.

38. **Mr. Paulinich** (Peru) (Geneva) enquired about the nature of negotiations between developed and developing countries on a multilateral agreement.

39. **Mr. Hill** (Jamaica) (Geneva), referring to Mr. Erwin's remarks, said that the fundamental issue was that of the developing countries' recovering sovereignty in changed circumstances, where international rules would affect national economic policy. In adhering to the second phase of the Information Technology Agreement, developing countries risked being bound to rules they did not fully understand and which were potentially prejudicial. In that same context, the failure to mention the new satellite technology developed by the International Telecommunication Union (ITU) or the need for rules to protect intellectual property was regrettable.

40. **Mr. Feketekuty** (Centre for Trade and Commercial Diplomacy) agreed that the role of UNCTAD was to prepare developing countries to participate effectively in global negotiations relating to such issues. However, only countries that subscribed to the Information Technology Agreement were bound by it. The second phase of that Agreement was probably going to be similar to the first phase, in other words, a group of countries would decide whether they were prepared to eliminate certain restrictions or eliminate tariffs on certain products.

41. **Mr. Erwin** (South Africa) (Geneva) said that one of the main concerns about plural agreements had to do with the fact that crucial principles — of electronic data exchange, in this case — were interpreted by the signatory countries from only one point of view. In that regard, he shared the view that UNCTAD must play an active role in ensuring a widespread awareness and understanding of the principles involved and then allowing those actors who were not involved in the original plural agreement to begin shaping certain issues themselves. For instance, because of the complete absence of infrastructure even in basic analog telephone systems in large parts of the country, the South African Government had decided to focus on two objectives: first, to provide telecommunications training and, second,

to spread the new infrastructure to rural areas. It had therefore elected to stipulate an exclusivity period, free of competition, in order for both objectives to be met. Discussions such as the current one in UNCTAD were absolutely critical so that all possible objectives and policy packages in the various countries could be examined.

Partners for Development: message from the Secretary-General of the United Nations

42. **Mr. Desai** (Under-Secretary-General for Economic and Social Affairs), reading a message on behalf of the Secretary-General, said that the Partners for Development initiative was fully compatible with the reform process that was now modernizing the United Nations family of organizations. It was both bold and realistic. It was bold in that it would involve civil society more deeply in the work of the United Nations and help to fulfil efforts to strengthen the Organization in the area of economic and social development.

43. It was realistic in that it focused on concrete partnerships and practical solutions, and would tap the human, technological and financial resources which had been beyond the reach of the United Nations, and which had become far greater than official development assistance.

44. Those who would participate in the partnership projects had chosen to work with the United Nations because of the contributions it was uniquely placed to make. The Organization's universal and impartial perspective, its multicultural approach, and its highly professional and dedicated staff were a formidable combination. Partners for Development offered yet another venue for the United Nations to demonstrate that it provided real value for money. He pledged his full support to that initiative.

45. **Mr. Soulier** (Deputy Mayor of Lyon, Member of the European Parliament) officially invited UNCTAD to hold the initial meeting of the Partners for Development initiative in Lyon in November 1998. He noted that Lyon, which owed its prosperity to immigrants, was a cradle of international commerce. Preparations were already under way for the meeting, which would be attended by the President of France and high-ranking French Government officials.

46. **Mr. Ricupero** (Secretary-General of the United Nations Conference on Trade and Development) said that the Partners for Development initiative represented an endeavour to bring about the rebirth of UNCTAD. One of the main causes of the crisis which had beset all international organizations was the inability to incorporate non-governmental organizations, the private sector, academia and research centres into their activities. For example, the two main issues of the latter part of the twentieth century — human rights and the environment — had all been developed to a very large extent not by States, but by non-governmental circles.

47. It was therefore the intention of the Partners for Development initiative to integrate civil society fully into its deliberations. The Lyon meeting would be the first international meeting at which documents would not be considered. Instead, specific projects, which had already been discussed with the developing countries concerned, would be proposed that could change people's lives in those countries. In that connection, UNCTAD had already started working on projects concerning topics such as risk management, commodities and microcredits for least developed countries and wanted to bring together a number of organizations working in the area of training for skilled personnel in negotiating techniques and also on how to take advantage of the opportunities created by international negotiations.

48. **The Chairman** expressed the hope that there would be many opportunities in the future to use the technological advances that greatly enriched the process of consultation in United Nations intergovernmental activities, and that there would be an opportunity of identifying important issues of immediate interest to the Second Committee as well as to the Trade and Development Board. The video-taped conference would make the Committee's upcoming discussions on trade and development, specifically the report of the Trade and Development Board, more constructive.

49. **Mr. Pronk** (Chairman, High-level segment of the Trade and Development Board) (Geneva) said that the questions raised during the day's discussions could be summarized as a single question, namely, under what conditions globalization would prove beneficial instead of a threat, as it was sometimes perceived. Domestic policies recommended as tools to enable the process to benefit countries included investment in physical and social infrastructure, good governance and appropriate policies to deal with competition. Sound development policies were the best passport to participation in the world economy.

50. Participants had expressed concern that technology and economic power would exert undue influence on the globalization process. The United Nations and UNCTAD would do well to emphasize that it was important for countries to participate in the globalization process on their own terms, and in accordance with their own time-frames. It was also desirable to broaden the concept of globalization in order to address issues relating to ecology, the environment, employment, political instability and social

questions. The public sector could play a useful role in guiding that discussion.

51. Participants in the day's proceedings also had expressed concern that the uniformity of goals was being touted in the interests of stability, but at the expense of improvisation, which itself was a feature of good governance. Globalization was a process which should benefit civil society as a whole, and must not be left solely to the economists and politicians. It was to be hoped that the reforms being introduced in the United Nations would enable the Organization to take up the challenge of providing further guidance to the globalization process along the lines suggested by the meeting participants.

Closure of the high-level segment of the Trade and Development Board

52. **Mr. Ricupero** (Secretary-General, United Nations Conference on Trade and Development) paid tribute to all who had participated in and assisted with the High-level segment.

53. **Mr. Petreski** (Chairman, Trade and Development Board) declared the High-level segment of the Trade and Development Board closed.

The meeting rose at 12.45 p.m.